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ABSTRACT

Congress will likely soon enact work force development legislation that consolidates education and training programs, reduces federal funding, and gives states greater discretion in program and services design. It may also adopt welfare reform legislation that creates a block grant commingling cash assistance and Job Opportunities and Basic Skills funds. Contradictory themes and dynamics between the two reform efforts are evident in their approaches to work participation requirements, skill improvement, and adult education participation. Development of policy options for reform implementation must address two broad areas of decisions. First, principal structural decisions include the following: state and local roles in policy making; allocation of funds among categories of activities and services; integrated administration of related programs through a one-stop system of service delivery; delivery of services through vouchers; and privatization of programs and services. Second, choices regarding activities and services to be provided are as follows: a period of job search activities as the first step in program participation; availability of stand-alone basic education and General Educational Development programs; participation of recipients of welfare block grant assistance in vocational educational training; implementation of a voucher system for job training delivery; states' operation of subsidized employment or work experience/community service programs; and sources of income for the ineligible or those who prefer not to use their eligibility time. (YLB)

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DEVOLUTION, WORKFORCE DEVELOPMENT AND WELFARE REFORM

Steve Savner

January 15, 1996

Background

Congress will likely soon enact workforce development legislation that consolidates numerous education and training programs, substantially reduces federal funding, and gives states far greater discretion in designing a new set of workforce development programs and services. While states and local entities have been running job training and education programs for years, the federal government has set the framework for such programs and has provided funding through a variety of funding streams. That will now be changed. Funding streams will be consolidated. Substantial new discretion will come in the allocation of resources among various groups in need of services, administrative structures at the state and local level, and the delivery of services, particularly the use of vouchers.

In addition, legislation may soon be adopted that would create a block grant program to replace the existing AFDC cash assistance program and which would eliminate the JOBS program. Like the workforce development block grants, the AFDC block grant would provide states with substantial new discretion while reducing the federal funds available to them to continue administering the new program. The reduction in workforce development funds combined with the commingling of JOBS and cash assistance funds in the welfare block grant and the latter=s substantially increased work participation requirements will create new and difficult issues regarding the nature of employment-related services to be provided for recipients of cash aid.

As Congress continues on its path to transform the current federal programs which fund and define workforce development and welfare, both the state and local governments which implement these programs, and the low-income individuals and families they are designed to serve, will be called upon to do more with less. States will be given reduced federal funding and a more limited set of federal rules. Individuals and families seeking assistance from either or

both the welfare system or the workforce development system will find that fewer can be served, and that the programs and services that are available will be even less generous than they are currently. While fears abound regarding the consequences of these changes for low income individuals and families, one of the central tasks facing advocates, policy makers, and program administrators will be the

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design and implementation of creative policy alternatives that effectively advance the ability of low-income individuals to find and retain jobs, and reduce their reliance on publicly funded programs and services. Programs and policies that can meet these goals will be critically important in protecting low-income individuals and families from further impoverishment. Moreover, the public=s awareness and understanding of such programs offers the best, and perhaps only, hope of rebuilding support for public investment in job training, programs that support low and moderate income workers and their families, and income security programs for those who are unemployed or unable to work.

Unfortunately, in attempting to identify policy options that effectively integrate these two new systems, one is struck by the dissonance between these two reform efforts. The contradictory themes and dynamics are evident in their approaches to three key issues.

- First, state performance and activities under the new welfare system would be driven by a set of work participation requirements that focus on ensuring that a substantial, and increasing percentage of recipients participate in unsubsidized or subsidized work. Workforce development reform focuses not on how many participate, but rather on outcomes measured by performance standards related to increased earnings and employment, and improved job retention for those who do find jobs.

- Second, welfare reform legislation is designed to sharply limit the number of recipients who participate in education or training and to emphasize instead a "work first" strategy. Recipients are likely to be required to take any available job, and would by and large be precluded from education and training. Even if they are unable to find unsubsidized jobs, they would most likely be required to participate in subsidized jobs and work experience programs rather than education and training. This is a sharp departure from the principles set forth in pending workforce development legislation, which emphasizes improving the skills of workers so they can earn better wages and make employers and the U.S. economy as a whole more productive and competitive. In essence, the message of these two proposals is that education and training are appropriate activities for everyone except women on welfare.

- Third, under welfare reform, recipients engaged in adult basic education, "English as a second language," and GED programs would not be counted toward meeting a state's work participation requirements, and as a result, few recipients would likely be allowed to participate. Under the Senate workforce development bill, however, individuals who do not have a diploma or GED would be barred from virtually all training programs.

The contradictions between the strategies that Congress is designing for the welfare and workforce development systems will create problems for policy makers who attempt to harmonize and integrate these new programs, and for poor families who need both cash assistance and services designed to improve their employability. The concrete measures by which the performance of administrators, providers, and participants will be judged create conflicting pressures that may make effective

integration of the two systems quite difficult. In the end it will be hard to reconcile two systems, one of which posits the lack of personal responsibility as the principal cause of poverty and unemployment among single mothers who receive cash welfare, and the other of which acknowledges skill and education deficits as a primary cause of unemployment and underemployment, and which is premised on our economy's need for a better trained and educated workforce.

In light of the challenges posed by the new systems that may soon be created, the development of policy options for implementation of workforce development and welfare reform must address two broad areas of decisions: decisions relating to the architecture and decisions relating to the nature of services in the new system.

Structural Issues

The first is the architecture or structure of the new systems. The principal architecture decisions include:

1) What will be the balance between state and local roles in policymaking?

On the workforce development side, the House bill offers much less flexibility than the Senate, but even the House bill gives Governors and Legislatures a fair amount of flexibility in constraining or promoting local decision making authority. On the welfare side, states would have virtually complete discretion in retaining policy making at the state level, or creating local block grants with the attendant authority to design and implement programs as local officials see fit.

2) How will funds be allocated among broad categories of activities and services?

Here again, the House job training bill leaves relatively less discretion than does the Senate, but both leave open substantial questions as to the targeting of resources to different groups of adults, and the broad allocation of funds among vocational education for youth, adult job training, and adult literacy and basic skills. On the welfare side, use of block grant funds would be largely unfettered, leaving states, or localities with wide discretion to allocate funds to cash assistance, work programs, child care and other services. In addition, each type of program and service could be organized in any number of ways.

3) To what extent will the administration of related programs actually be integrated through a one-stop system of service delivery?

Both job training bills mandate some sort of one-stop delivery system for job search assistance, assessment, and information and referral for job training and education services. Left open are the relationships between the delivery of those services, unemployment insurance, and the welfare system. The proposed welfare legislation would allow the integration of welfare and other workforce development and unemployment systems, but does not require it.

4) To what extent will services be delivered through vouchers?

While the House job training bill mandates implementation of a voucher system by the year 2000, there are a number of exceptional circumstances, which, if a state chose, could minimize the use of vouchers substantially. On the Senate side, the use of vouchers is left completely to state discretion. The welfare legislation allows broad use of vouchers, both as a substitute for cash aid and for the delivery of employment-related services and child care, but does not require nor provide incentives for their use.

5) To what extent will programs and services be administered by public entities or be privatized?

Both the proposed workforce development and welfare legislation offer broad discretion to retain the current mix of public and private service delivery, or to move toward a more publicly administered or a more privatized system. Privatization of education and training programs is quite common. More significantly, the new flexibility in the welfare area would create the potential for privatization of basic program administration and case management. The structure of such contracts would almost certainly have an impact on the way benefits and services are provided. If any such new arrangements are undertaken in a block grant environment, without an entitlement to specified benefits or services to those found eligible, private organizations would determine not only who will be eligible, but as well the nature of any services or benefits to be provided. Under any contractual arrangement, and whether the provider is a for-profit or non-profit, the potential for conflict between the needs of low-income families and individuals, and the financial interest of the administering organization must be considered.

Activities and Services to be Provided

The second set of issues for decision concern the specific nature of employment-related activities that will be authorized and the related support services that will be made available. Some of the most important choices that every state and local authority will likely face include the following:

1) To what extent will a period of job search activities form the first step in program participation and the practical screening device for further services?

Of all the questions to be answered regarding both the system architecture and activities, this one seems closest to resolution in favor of wide spread use of initial job search as the first step for all program participants and applicants. The House job training bill is quite explicit in restricting access to more intensive services and most job training and education activities to those who are unable to obtain employment through job search activities. While neither the Senate job training bill nor the welfare legislation is explicit, the direction of both welfare reform activities in the states and the pressure of reduced funding for all programs makes it extremely likely that in both the welfare and workforce development systems, job search will function as the first level screening device. If this assessment is correct, the real question that must be faced is what comes second?

2) To what extent will stand-alone basic education and GED programs be

available?

For adults, the most recent research on welfare to work programs has raised serious doubts about the effectiveness of stand-alone basic education and GED programs. Notwithstanding continuing questions about the follow-up period used in this research, and the extent to which a GED may be a prerequisite for further training or employment, the proposed welfare legislation creates a strong presumption against such activities. This is so because participation in basic education or GED preparation would not be countable toward meeting the work participation rates. Ironically, the Senate job training bill takes an equally clear-cut step in the opposite direction by prohibiting participation in virtually all job training activities for individuals who do not have a diploma or GED, unless they are simultaneously enrolled in a program to obtain either, or unless an individual is judged to be incapable of obtaining either. The House job training bill does not explicitly favor or discourage these activities. Thus, while one might have expected a continuation of the trend toward integration of needed basic skills in substantive job training programs, the Senate approach will cause serious reconsideration of this issue insofar as current programs that integrate basic skills with vocational training are generally not designed to prepare participants to obtain a GED. On the welfare side, the proposed 12 month limit on the duration of vocational educational training that may be counted toward work participation requirements will make effective integration of basic and vocational skills very difficult.

3) Will states take the option to allow recipients of welfare block grant assistance to participate in "vocational educational training"?

Proposed welfare legislation authorizes states to count up participants in vocational educational training for up to 20% of the total number of participants needed to meet the work participation requirement. No individual may be counted once she has participated in such a program for more than 12 months. If states take this option, what kinds of programs will be approved and what criteria will be used to determine who may participate? If the most job-ready are initially screened to employment through a job search program, individuals who might benefit from a short skill program may not be able to enroll because they are employed. Those with substantial barriers that are likely to require longer term education and training may be judged as not likely to benefit from programs limited to 12 months and therefore might be excluded altogether.

A number of states have already moved to sharply limit access to vocational education in favor of placing recipients who cannot find unsubsidized jobs in either community service or subsidized employment positions. In part, this reflects a profound skepticism about not only basic education but classroom skill training as well, borne out to a significant extent by research conducted on both welfare-to-work and JTPA programs. Unfortunately, the research evidence with regard to work experience programs is equally, if not more disheartening. But in the face of apparent public support for work in exchange for welfare, the research evidence on work experience programs has not appeared to slow a growing trend toward such programs. Any successful effort to persuade decision makers to include vocational education as an approved, albeit limited, activity will depend on the ability to address the legitimate concerns about program quality and effectiveness. A few noteworthy exceptions, such as CET, in San Jose, offer promise through close integration of program design and staff with private industry. Otherwise, the only broad-based activity, which at least some evidence has shown to significantly effect earnings, is post-secondary education, including both two and four year college programs. Questions raised

are thus whether a program such as CET can be replicated on a broad scale, and whether certificate and associates degree programs can be offered that are consistent with the 12-month time limit for vocational education under the welfare bill.

4) How can implementation of a voucher system for job training delivery be undertaken in a way that will improve the outcomes for participants?

The expanded use of vouchers that might take place in a state's workforce development system offers both significant opportunities and risks for participants. Two principal concerns must be addressed in designing a voucher system that will achieve increased employment and earnings for participants. First, the issue of a meaningful provider certification system will be crucial. The problems connected with student financial aid loan defaults have been well documented and raise particular concerns about the role that proprietary trade schools might play in any voucher system. Whether the House provisions that incorporate the protections currently available under the Higher Education Act are included in the final legislation or not, states should be strongly encouraged, at a minimum, to rely on those standards in assessing the participation of providers to whom they apply. Second, is the potential impact of a voucher system on increased employer involvement in training design and delivery. Highly successful programs such as CET attribute much of their success to their close working relationship with employers in the community. To the extent that efforts are under way to replicate that close working relationship, will movement away from a system in which providers receive contracts to provide training toward one in which participants receive vouchers make it more difficult to secure the type of employer involvement that seems necessary for successful programming? The answer to the question is difficult to predict, and one=s view will likely depend on the confidence one has in the notion that participants will have access to meaningful data about program choices, and make decisions based on that information. Finally, increased use of vouchers creates the very positive potential for the increased participation of community colleges in the provision of services.

5) To the extent states decide to operate large scale subsidized employment and/or work experience/community service programs either in response to welfare work participation requirements or for other reasons, what options should they consider?

Assuming that states are unable to meet growing work participation requirements through placing individuals in unsubsidized employment, and whether or not they take advantage of the vocational education option discussed above, it seems likely that substantially increased numbers of recipients will have to be placed in subsidized employment or work experience positions. New work requirements in pending Food Stamp legislation are likely to result in even more pressure for the creation of work slots.

Even aside from those requirements, more and more states are moving to require some form of work as a condition of ongoing assistance. Based on past research, the tension between costs and outcomes is likely to play a major role in shaping state experiences. Subsidized employment programs have been demonstrated to achieve significant returns for participants but have been more costly than work experience programs. In addition, no state or locality has operated such a program in the welfare-to-work context on the scale that would appear to be necessary if the program were to be a primary tool in meeting the work participation requirements. Work experience programs can vary dramatically in costs, but evaluated programs have had consistently poor results

in terms of increased employment and earnings. Leaving aside post-program outcomes, any waged position that creates eligibility for the Earned Income Tax Credit will be a more effective anti-poverty strategy during participation as compared to a program in which recipients simply work in exchange for their cash assistance. Finally, to the extent work experience/community service becomes the principal choice of program administrators and policy makers, much attention will be needed to the issue of skill development during participation.

6) For those who are ineligible for cash aid through the welfare system, or who would prefer not to use up the limited time for which they might eligible, what other sources of income support will exist to enable them to participate in education and training activities?

Unemployment insurance, student financial aid (including work study employment), income support services provided through workforce development funds, and part or full-time unsubsidized employment are the four most likely potential sources or income support. Each of these four is worthy of exploration as no one or two are likely to meet the various needs of low-income individuals and families. Workforce development funds can be used to provide income support needed to enable participation under both the House and Senate bills. Moreover, there is no specified limit on the amount of funds that may be spent on support services, in contrast with JTPA restrictions. In addition, both bills allow the use of funds to pay wages, which provides the authority for a range of public employment programs which might be viewed as counter cyclical income support programs, a form of on-the-job training, or to provide income during participation in substantive skills programs. While all of these uses are possible, it seems unlikely that officials will be willing to expend any significant portion of their funds on purely income support activities. Combining unsubsidized employment with further education and training may be possible for many, but would seem the least likely to be effective for those with very low-skills and limited employment opportunities, as well as for single-parents, for whom, the combination of employment, school, and child rearing responsibility can easily be overwhelming.

As noted at the outset, these are some, but by no means all of the basic decisions that every state and locality with responsibility to implement either the new workforce development or welfare reform legislation, or both, must address. Many subsidiary questions involving the substantive policy and fiscal implications will also inevitably arise.

The coming period will be one of risks and opportunities. Poor families will be at increased risk because the programs upon which they have relied will receive reduced funding, and are being redesigned in a climate of fear and hostility that unduly emphasizes the lack of personal responsibility as the cause of poverty. At the same time, opportunities will exist for states and localities to rethink and more effectively design and deliver programs and services. A coordinated effort by advocates, policy makers, and administrators will be essential to any successful effort to reduce the risk that more families will become poor, and that poor families will become poorer still, and to increase the chances that successful reform will not only help poor families, but will also begin to rebuild public trust and support for government programs and investments that work.